



2014 Affordable Care Act Tax Provisions for Individuals, Families and Small Businesses

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September 17, 2014

Agenda

- **Health Insurance Marketplace**
- **Individual Shared Responsibility Provision (ISRP)**
 - Overview
 - Minimum Essential Coverage
 - Coverage Exemptions
 - Reporting
- **Health Insurance Premium Tax Credit (PTC)**
 - Overview
 - Eligibility
 - Advance Payments of Premium Tax Credit (APTC)
 - PTC Form 8962
- **Small Business Health Care Tax Credit (SBHCTC)**
 - Changes for 2014

HHS & Role of the Health Insurance Marketplace

- HHS: Administers the Marketplace and advance payments of PTC and other financial assistance
- Marketplace: Health Insurance options, purchases & financial assistance
- Small Business Health Options Program (SHOP) Marketplace
- HealthCare.gov has more information

What is the Individual Shared Responsibility Provision?

Starting in 2014, everyone must either:

Have Minimum Essential Coverage (MEC)

OR

Have a Coverage Exemption

OR

Make a Shared Responsibility Payment

***Minimum Essential Coverage must be maintained each month**

What is Minimum Essential Coverage?

- Employer-sponsored plans, including COBRA and retiree coverage
- Coverage purchased in individual market and the new Marketplace
- Coverage under specified government-sponsored programs

What Qualifies as an Exemption

Exemptions from coverage requirements:

- Member of a:
 - Recognized religious sect conscientiously opposed to accepting insurance benefits
 - Health care sharing ministry
 - Federally recognized Indian tribe
- No filing requirement
- Short coverage gap (< 3 months)

Additional Exemptions

- Hardship (Defined by HHS)
- No affordable coverage ($> 8\%$ HHI)
- Incarcerated
- Not lawfully present in U.S.

Getting an Exemption

- Obtained from Marketplace or IRS depending upon the type of exemption
- Exemptions from the Marketplace need to be obtained at the earliest opportunity
- Exemptions from the IRS can be obtained only by filing a federal tax return with new Form 8965

When Would an Individual Need to Make a Payment?

A payment may be due for an individual and dependents, if they don't have:

- MEC for every month of the year, or
- An exemption for the months without MEC.

How is the Payment Calculated?

- Individual shared responsibility payment calculations are based on the **greater** of the percentage of income **OR** the flat dollar amount
- For families, the shared responsibility payment cannot exceed 3x the flat dollar amount
- The shared responsibility payment amount may not exceed an amount equal to the national average premium for bronze level qualified health plans

Sample Calculation

Facts:

- Married w/two children under 18
- No minimum essential coverage for *any* month
- Does not qualify for an exemption
- Household income = \$70,000/filing threshold = \$20,300

Payment calculation:

- *Percentage of income:*
$$\begin{aligned} \$70,000 - 20,300 &= \$49,700, \\ 1\% \times \$49,700 &= \$497 \end{aligned}$$
- *Flat dollar:* $285 = ((95 \times 2) + (\$95/2 \times 2))$

2014 ISRP = \$497 (\$497 is > \$285)
< the national average for bronze level coverage

What Information Documents will an Individual Receive?

Starting with 2014 tax year:

- Form 1095-A, Health Insurance Marketplace Statement

Starting with 2015 tax year:

- Form 1095-B, Health Coverage
- Form 1095-C, Employer-Provided Health Insurance Offer and Coverage

How will ISRP be Reported?

- Form 8965 is used to report or claim a coverage exemption
- Full year coverage is reported on the tax return
- Payment, if due, is reported and paid with the tax return

What is the Premium Tax Credit?

- Refundable tax credit claimed on new Form 8962 filed with Form 1040
- To help eligible individuals and families pay for health insurance
- Two payment options:
 - Get it **Now** – advance credit payments
 - Get it **Later** – without advance credit payments
- Marketplace administers Advance Payment of PTC (APTC)

PTC Eligibility

You may be eligible if you meet all of the following:

- Buy health insurance through Marketplace
- Are ineligible for coverage through employer or government plan
- Are within certain income limits
- Do not file Married Filing Separate tax return unless you meet certain exceptions
- Cannot be claimed as a dependent by another person

2014 Income Limits are based on 2013 Federal Poverty Line (FPL)

- One Individual:
\$11,490 (100% FPL) - \$45,960 (400% FPL)
- Family of Two:
\$15,510 (100% FPL) - \$62,040 (400% FPL)
- Family of Four:
\$23,550 (100% FPL) - \$94,200 (400% FPL)

Example: Based on the 2013 FPL, a family of four could have a household income up to and including \$94,200 and still be eligible for the PTC.

Major Changes in Circumstances

- Birth or Adoption
- Marriage or divorce
- Increases or decreases in number of dependents
- Moving to another address
- Increase or decrease in your income
- Gaining or losing health care coverage or eligibility
- Changes in filing status

Note: For additional examples of life events go to [Healthcare.gov](https://www.healthcare.gov)

What Information Document will an Individual receive?

Form 1095-A will be issued by the Health Insurance Marketplace

- Sent by January 31
- Shows:
 - Documentation of coverage by month
 - Premiums, and
 - Advance payments of PTC

What's on PTC Form 8962

- Annual & Monthly Contribution
- PTC Claim & Reconciliation
- Repayment of Excess of Advance Payment
- Shared Policy Allocations
- Alternative Calculation for Marriage

What is the Small Business Health Care Tax Credit?

- Tax credit for small employers, including tax-exempt employers
- Help with the cost of providing health care coverage for low- and moderate-income workers
- Designed to encourage employers to offer first-time coverage and maintain existing coverage for employees

Which Employers Qualify?

Small employers who:

- Pay at least half of employee health insurance premiums (single coverage)
- Have fewer than 25 full-time equivalent employees (FTEs) for the tax year
- Pay average annual wages of less than \$50,000 per FTE

What are the Changes to the Credit Beginning in 2014?

Looking back - 2010-2013

- Credit up to 35% for employers & 25 % for tax-exempt employers

Looking forward – 2014 & later

- Credit up to 50% for employers & 35% for tax-exempt employers
- Requires coverage through SHOP (Marketplace)
- Two consecutive years
- Cost of living adjustment